



Peterson  
Allred  
Jackson

**CITY OF RICHMOND  
FINANCIAL STATEMENTS**

**June 30, 2005**

**(With comparative totals  
for June 30, 2004)**

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Richmond  
Richmond, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, Utah (the City) as of and for the year ended June 30, 2005, which collectively comprises the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results for our audit.

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The Management's Discussion and Analysis on pages 3-7 and page 44, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Peterson Alfred Jackson

October 28, 2005

**CITY OF RICHMOND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**

As management of Richmond City we offer readers of Richmond City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2005. This overview and analysis is also intended to assist interested parties in understanding the significant financial issues, including identifying changes in the City's financial position (its ability to address the next and subsequent year's challenges), identifying any material changes to the original budget and identifying individual fund issues of concerns. This analysis requires that you also consider the information presented in City's financial statement.

**FINANCIAL HIGHLIGHTS**

- The total net assets of Richmond City were \$3,795,183. Of this amount, \$2,821,115 consists of capital assets, net of any related debt and \$68,700 of restricted net assets. As a result, the City has \$148,322 of unrestricted governmental net assets and \$757,046 of unrestricted business-type net assets.
- The City operated its governmental activities as planned.

**REPORTING THE CITY AS A WHOLE**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of Richmond City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Richmond City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Richmond City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 9 & 10 of this report.

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Richmond City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds – Richmond City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. Richmond City uses enterprise funds to account for its Water Utility and Sewer Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richmond City, assets exceed liabilities by \$3,795,183.

By far the largest portion of Richmond City's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The accompanying financial statements outline and show the revenue and expenditures, together with transfers and changes in the beginning and ending net assets in both the governmental and business-type activities.

**CITY OF RICHMOND**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2005**

**Statement of Net Assets**

	Governmental Activities		Business Type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 277,128	\$ 327,888	\$ 840,940	\$ 744,020
Capital assets	1,734,138	1,856,730	2,567,473	2,571,837
<b>Total assets</b>	<b>2,011,266</b>	<b>2,184,618</b>	<b>3,408,413</b>	<b>3,315,857</b>
Current liabilities	106,859	115,195	31,466	16,510
Non-current liabilities	53,278	68,148	1,432,893	1,555,893
<b>Total liabilities</b>	<b>160,137</b>	<b>183,343</b>	<b>1,464,359</b>	<b>1,572,403</b>
Invested in capital assets, net of related debt	1,686,535	1,788,582	1,134,580	1,015,944
Restricted	16,272	-	52,428	94,361
Unrestricted	148,322	212,693	757,046	633,149
<b>Total net assets</b>	<b>\$ 1,851,129</b>	<b>\$ 2,001,275</b>	<b>\$ 1,944,054</b>	<b>\$ 1,743,454</b>

**Changes in Net Assets**

<b>Revenues</b>				
Program revenues				
Charges for services	\$ 227,374	\$ 221,082	\$ 502,286	\$ 482,057
Operating grants and contributions	96,511	184,680	-	-
Capital grants and contributions	-	-	-	-
General revenues				
Taxes	384,908	366,503	-	-
Other	10,448	3,951	17,212	(4,683)
<b>Total revenues</b>	<b>719,241</b>	<b>776,216</b>	<b>519,498</b>	<b>477,374</b>
<b>Expenses:</b>				
General government	167,406	154,108	-	-
Public safety	125,349	140,446	-	-
Streets/highways	457,462	290,301	-	-
Parks, recreation and public property	57,380	60,050	-	-
Library	61,790	54,721	-	-
Interest	-	102,989	-	-
Water utility	-	-	156,718	240,247
Sewer	-	-	162,180	146,304
<b>Total expenses</b>	<b>869,387</b>	<b>802,615</b>	<b>318,898</b>	<b>386,551</b>
<b>Changes in net assets</b>	<b>(150,146)</b>	<b>(26,399)</b>	<b>200,600</b>	<b>90,823</b>
<b>Net assets - beginning</b>	<b>2,001,275</b>	<b>2,027,674</b>	<b>1,743,454</b>	<b>1,652,631</b>
<b>Net assets - ending</b>	<b>\$ 1,851,129</b>	<b>\$ 2,001,275</b>	<b>\$ 1,944,054</b>	<b>\$ 1,743,454</b>



## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2005, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$170,269.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund. Taxes are the largest source of revenue in the General Fund and represent 54% of total general fund revenues. The largest element is sales taxes, which represent 45% of total tax revenues and 24% of total General Fund revenues. In addition, property tax (including motor vehicles taxes) represents 25% of total tax revenue and represents 14% of total general fund revenues.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund's original budget was amended from an original budget expenditures total of \$679,102 to a final budget of \$773,366. These increases were made up of the following additional expenses; additional costs for decorative street lighting - \$46,500, city development standards - \$4,171, retirement benefit costs of former city librarian - \$7,000, additional fire department supplies - \$2,700, additional fire department salaries for helping fight county fires - \$1,300, additional costs for Black & White horse show and Black & White activities - \$5,700, additional payment of fines to State of Utah - \$11,000, extra costs for street lighting - \$5,500, and extra costs to Cache County for garbage collection - \$7,000.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – Richmond City's investment in capital assets (net of accumulated depreciation) as of June 30, 2005, amounts to \$4,301,611 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. During the year the City participated in certain construction projects with the Utah Department of Transportation. As a result of these projects, the City installed decorative lighting for approximately \$46,500 and provided water system improvements for approximately \$104,000.

Long-term debt – At June 30, 2005, the City had total lease debt outstanding of \$47,603. Business Activity (enterprise funds) bonds equal \$1,432,893. Compensated absences totaled \$5,675 for the governmental activities. During the year, the City made its required principal and interest payments on all other debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The General Fund budget for revenues is expected to be about the same for the fiscal year ending June 30, 2006 with cost of living and insurance increases being the major contributors to the overall increase.

## **REQUESTS FOR INFORMATION**

This final report is designed to provide a general overview of the City's finances for all those with an interest in the City's financials. Questions concerning any information provided in this report or request for additional information should be addressed to: City Manager or Recorder, Richmond City Corporation, 6 West Main, Richmond, UT 84333.

## **Basic Financial Statements**

**CITY OF RICHMOND**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**  
**(With Comparative Amounts for June 30, 2004)**

	Primary Government			
	Governmental Activities	Business-type Activities	2005 Total	2004 Total
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 113,865	\$ 744,215	\$ 858,080	\$ 800,482
Accounts receivable	32,781	44,297	77,078	82,870
Due from other governments	112,378	-	112,378	134,000
Prepaid expenses	1,832	-	1,832	1,063
Restricted assets:				
Cash and cash equivalents	-	52,428	52,428	26,688
Accounts receivable	16,272	-	16,272	26,805
Capital assets, net	1,734,138	2,567,473	4,301,611	4,428,567
Total assets	2,011,266	3,408,413	5,419,679	5,500,475
<u>Liabilities</u>				
Accounts payable and accrued expenses	24,386	16,997	41,383	20,222
Accrued interest		13,074	13,074	14,070
Due to other governments	-	-	-	12,500
Deposits	7,616	1,395	9,011	10,056
Deferred revenue	74,857		74,857	74,857
Noncurrent liabilities:				
Due within one year	23,195	125,000	148,195	143,605
Due in more than one year	30,083	1,307,893	1,337,976	1,480,436
Total liabilities	160,137	1,464,359	1,624,496	1,755,746
<u>Net Assets</u>				
Invested in capital assets, net of related debt	1,686,535	1,134,580	2,821,115	2,804,526
Restricted	16,272	52,428	68,700	94,361
Unrestricted	148,322	757,046	905,368	845,842
Total net assets	\$ 1,851,129	\$ 1,944,054	\$ 3,795,183	\$ 3,744,729

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2005**

**(With Comparative Amounts for the Year Ended June 30, 2004)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2005 Total	2004 Total
<b>Activities:</b>								
<b>Primary government:</b>								
<b>Governmental:</b>								
General government	\$ 167,406	\$ 15,041	\$ 2,556	\$ -	\$ (149,809)	\$ -	\$ (149,809)	\$ (131,974)
Public safety	125,349	69,612	5,904	-	(49,833)	-	(49,833)	(66,306)
Streets and highway	457,462	126,863	80,094	-	(250,505)	-	(250,505)	(146,535)
Parks, recreation & public property	57,380	15,858	2,976	-	(38,546)	-	(38,546)	(1,978)
Library	61,790	-	4,981	-	(56,809)	-	(56,809)	(50,060)
<b>Total governmental activities</b>	<b>869,387</b>	<b>227,374</b>	<b>96,511</b>	<b>-</b>	<b>(545,502)</b>	<b>-</b>	<b>(545,502)</b>	<b>(396,853)</b>
<b>Business-type activities:</b>								
Water	156,718	284,563	-	-	-	127,845	127,845	26,484
Sewer	162,180	217,723	-	-	-	55,543	55,543	69,022
<b>Total business-type activities</b>	<b>318,898</b>	<b>502,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,388</b>	<b>183,388</b>	<b>95,506</b>
<b>Total primary government</b>	<b>\$ 1,188,285</b>	<b>\$ 729,660</b>	<b>\$ 96,511</b>	<b>\$ -</b>	<b>(545,502)</b>	<b>183,388</b>	<b>(362,114)</b>	<b>(301,347)</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Sales and use tax					174,834	-	174,834	166,217
Franchise tax					112,668	-	112,668	103,117
Property tax					97,406	-	97,406	97,169
Total taxes					<u>384,908</u>	<u>-</u>	<u>384,908</u>	<u>366,503</u>
Loss on disposal of assets					-	-	-	(15,830)
Miscellaneous					2,400	-	2,400	276
Investment income					8,048	17,212	25,260	14,822
<b>Total general revenues</b>					<u>395,356</u>	<u>17,212</u>	<u>412,568</u>	<u>365,771</u>
Change in net assets					(150,146)	200,600	50,454	64,424
<b>Net assets - beginning</b>					<u>2,001,275</u>	<u>1,743,454</u>	<u>3,744,729</u>	<u>3,680,305</u>
<b>Net assets - ending</b>					<u>\$ 1,851,129</u>	<u>\$ 1,944,054</u>	<u>\$ 3,795,183</u>	<u>\$ 3,744,729</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**GOVERNMENTAL FUNDS TYPE**  
**BALANCE SHEET**  
**June 30, 2005**  
**(With Comparative Amounts for June 30, 2004)**

	General	Nonmajor Funds	Total Governmental Funds	
			2005	2004
<u>Assets</u>				
Pooled cash & cash equivalents	\$ 52,278	\$ 61,587	\$ 113,865	\$ 134,146
Accounts receivable	32,781	-	32,781	31,874
Due from other governments	112,378		112,378	160,805
Due from other funds	-	-	-	12,500
Prepaid expense	1,832	-	1,832	1,063
Restricted assets:				
Accounts receivable	16,272	-	16,272	-
Total assets	<u>\$ 215,541</u>	<u>\$ 61,587</u>	<u>\$ 277,128</u>	<u>\$ 340,388</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 24,386	\$ -	\$ 24,386	\$ 20,222
Due to other funds	-	-	-	12,500
Due to other governments	-	-	-	12,500
Deposits	7,616	-	7,616	7,616
Deferred liabilities	74,857	-	74,857	74,857
Total liabilities	<u>106,859</u>	<u>-</u>	<u>106,859</u>	<u>127,695</u>
Fund equity and other credits:				
Fund balance:				
Reserved-Class C roads	16,272	-	16,272	-
Unreserved - undesignated	92,410	61,587	153,997	212,693
Total fund balances	<u>108,682</u>	<u>61,587</u>	<u>170,269</u>	<u>212,693</u>
Total liabilities and fund balances	<u>\$ 215,541</u>	<u>\$ 61,587</u>	<u>\$ 277,128</u>	<u>340,388</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**RECONCILIATION OF THE BALANCE SHEET**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2005**

Total fund balances for governmental funds	\$	170,269
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	43,125	
Infrastructure		3,150,486	
Building		896,217	
Equipment		455,388	
Accumulated depreciation		<u>(2,811,078)</u>	1,734,138

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences		(5,675)	
Capital leases		<u>(47,603)</u>	<u>(53,278)</u>

Net assets of governmental activities	\$	<u><u>1,851,129</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts For the Year Ended June 30, 2004)**

	General	Nonmajor Fund	Total Governmental Funds	
			2005	2004
<b>Revenues:</b>				
Taxes	\$ 384,908	\$ -	\$ 384,908	\$ 366,502
Licenses and permits	14,991	-	14,991	12,289
Intergovernmental	90,355	-	90,355	181,243
Charges for services	156,410	-	156,410	165,778
Fines and forfeitures	52,947	-	52,947	34,615
Library	4,981	-	4,981	4,661
Miscellaneous revenues	13,245	1,404	14,649	12,337
<b>Total revenues</b>	<b>717,837</b>	<b>1,404</b>	<b>719,241</b>	<b>777,425</b>
<b>Expenditures:</b>				
General government	147,965	-	147,965	150,188
Public safety	120,772	-	120,772	155,736
Streets and public improvements	376,797	-	376,797	517,971
Parks, recreation and public property	49,880	7,500	57,380	63,848
Library	58,751	-	58,751	54,721
<b>Total expenditures</b>	<b>754,165</b>	<b>7,500</b>	<b>761,665</b>	<b>942,464</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(36,328)</b>	<b>(6,096)</b>	<b>(42,424)</b>	<b>(165,039)</b>
<b>Other financing sources (uses):</b>				
Transfers in	49,402	41,631	91,033	260,075
Transfers out	(41,631)	(49,402)	(91,033)	(260,075)
<b>Total other financing sources (uses)</b>	<b>7,771</b>	<b>(7,771)</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(28,557)</b>	<b>(13,867)</b>	<b>(42,424)</b>	<b>(165,039)</b>
<b>Fund balances - July 1</b>	<b>137,239</b>	<b>75,454</b>	<b>212,693</b>	<b>377,732</b>
<b>Fund balances - June 30</b>	<b>\$ 108,682</b>	<b>\$ 61,587</b>	<b>\$ 170,269</b>	<b>\$ 212,693</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF RICHMOND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

Net change in fund balances-total governmental funds	\$ (42,424)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$169,092) exceeded capital outlays (\$46,500) in the current period.	(122,592)
Capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayment of capital lease principal are expenditures in the governmental funds. Compensated absences are an expense in the statemnt of activities but not in governmental funds.	
Changes in compensated absences	(5,675)
Payments of principal on capital leases	<u>20,545</u>
Change in net assets of governmental activities	<u>\$ (150,146)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2005**  
**(With Comparative Amounts for June 30, 2004)**

	Water Utility Fund	Sewer Fund	Total Enterprise Funds	
			2005	2004
<u>Assets</u>				
Cash and cash equivalents	\$ 332,890	\$ 411,325	\$ 744,215	\$ 666,336
Accounts receivable, net	24,797	19,500	44,297	50,996
Restricted assets:				
Cash and cash equivalents	-	52,428	52,428	26,688
Capital assets, net	1,809,339	758,134	2,567,473	2,571,837
Total assets	2,167,026	1,241,387	3,408,413	3,315,857
<u>Liabilities</u>				
Accounts payable	12,631	4,366	16,997	-
Accrued interest	4,073	9,001	13,074	14,070
Deposits	1,395	-	1,395	2,440
Noncurrent liabilities:				
Due within one year	92,000	33,000	125,000	123,500
Due in more than one year	992,893	315,000	1,307,893	1,432,393
Total liabilities	1,102,992	361,367	1,464,359	1,572,403
<u>Net Assets</u>				
Invested in capital assets, net of related debt	724,446	410,134	1,134,580	1,015,944
Restricted	-	52,428	52,428	94,361
Unrestricted	339,588	417,458	757,046	633,149
Total net assets	\$ 1,064,034	\$ 880,020	\$ 1,944,054	\$ 1,743,454

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**For the Year Ended June 30, 2005**  
**( With Comparative Amounts for the Year Ended June 30, 2004 )**

	Water Utility Fund	Sewer Fund	Total Enterprise Funds	
			2005	2004
Operating revenues:				
Charges for services	\$ 235,788	\$ 198,421	\$ 434,209	\$ 450,104
Connection fees	14,398	7,668	22,066	9,166
Miscellaneous	12,575	-	12,575	4,801
	<u>262,761</u>	<u>206,089</u>	<u>468,850</u>	<u>464,071</u>
Total operating revenues				
Operating expenses				
Salaries and benefits	44,262	36,709	80,971	73,343
Current expenses	30,703	67,501	98,204	168,433
Depreciation	77,959	35,929	113,888	116,518
	<u>152,924</u>	<u>140,139</u>	<u>293,063</u>	<u>358,294</u>
Total operating expenses				
Operating income	<u>109,837</u>	<u>65,950</u>	<u>175,787</u>	<u>105,777</u>
Non-operating income (expense)				
Interest expense	(3,794)	(22,041)	(25,835)	(28,257)
Loss on asset disposal	-	-	-	(14,620)
Impact fees	21,802	11,634	33,436	17,986
Interest income	7,002	10,210	17,212	9,937
	<u>25,010</u>	<u>(197)</u>	<u>24,813</u>	<u>(14,954)</u>
Total non-operating revenue (expense)				
Change in net assets	134,847	65,753	200,600	90,823
Net assets - July 1	<u>929,187</u>	<u>814,267</u>	<u>1,743,454</u>	<u>1,652,631</u>
Net assets - June 30	<u>\$ 1,064,034</u>	<u>\$ 880,020</u>	<u>\$ 1,944,054</u>	<u>\$ 1,743,454</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts for the Year Ended June 30, 2004)**

	Water Utilitiy Fund	Sewer Fund	Total Enterprise Funds	
			2005	2004
<u>Cash flows from operating activities:</u>				
Receipts from customers and users	\$ 264,615	\$ 210,934	\$ 475,549	\$ 461,041
Payments to suppliers	(24,014)	(59,234)	(83,248)	(172,456)
Payments to employees	(44,262)	(36,709)	(80,971)	(73,343)
Net cash provided by operating activities	196,339	114,991	311,330	215,242
<u>Cash flows from non-capital financing activities</u>				
Impact fees	21,802	11,634	33,436	17,986
Net cash provided by non-capital financing activities	21,802	11,634	33,436	17,986
<u>Cash flows from capital and related financing activities:</u>				
Acquisition and construction of capital assets	(109,524)	-	(109,524)	(8,447)
Principal payments on bonds	(92,000)	(31,000)	(123,000)	(121,000)
Interest payments on bonds	(3,794)	(22,041)	(25,835)	(28,257)
Net cash used in capital and related financing activities	(205,318)	(53,041)	(258,359)	(157,704)
<u>Cash flows from investing activities:</u>				
Interest received	7,002	10,210	17,212	9,937
Net cash provided by investing activities	7,002	10,210	17,212	9,937
Net increase in cash and cash equivalents	19,825	83,794	103,619	85,461
Cash and equivalents at beginning of year	313,065	379,959	693,024	607,563
Cash and equivalents at end of year	<u>\$ 332,890</u>	<u>\$ 463,753</u>	<u>\$ 796,643</u>	<u>\$ 693,024</u>
Shown in the Statement of Net Assets as:				
Cash and cash equivalents	\$ 332,890	\$ 411,325	\$ 744,215	\$ 666,336
Restricted cash equivalents at end of year	-	52,428	52,428	26,688
	<u>\$ 332,890</u>	<u>\$ 463,753</u>	<u>\$ 796,643</u>	<u>\$ 693,024</u>

(continued)

The accompanying notes are an integral part of these financial statements.

(continued)

**CITY OF RICHMOND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts for the Year Ended June 30, 2004)**

	Water Utilitiy Fund	Sewer Fund	Total Enterprise Funds	
			2005	2004
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 109,837	\$ 65,950	\$ 175,787	\$ 105,777
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	77,959	35,929	113,888	116,518
Changes in assets & liabilities:				
(Increase) decrease in accounts receivable	1,854	4,845	6,699	(2,700)
Increase (decrease) in accounts payable	7,734	8,267	16,001	(4,023)
Decrease in deposits	(1,045)	-	(1,045)	(330)
Total adjustments	86,502	49,041	135,543	109,465
Net cash provided (used) by operating activities:	<u>\$ 196,339</u>	<u>\$ 114,991</u>	<u>\$ 311,330</u>	<u>\$ 215,242</u>

The accompanying notes are an integral part of these financial statements.

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**CITY OF RICHMOND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2005**

	<u>Agency Funds</u>
Assets:	
Pooled cash and cash equivalents	\$ 130,804
Furniture, fixtures and equipment	<u>20,045</u>
Total assets	<u><u>\$ 150,849</u></u>
Liabilities:	
Payables	\$ 1,378
Due to other government units	<u>149,471</u>
Total liabilities	<u><u>\$ 150,849</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 1 – Summary of Significant Accounting Policies**

The City of Richmond, Utah (the City), operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, health services and general administrative services. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**Reporting Model**

GASB Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*" is shown in accordance with terms of that pronouncement. Significant changes in 2004 financial statements arising from this pronouncement are as follows.

The financial statements include a Management's Discussion and Analysis (MD&A) section, which provides an analysis of the City's overall financial position and results of operations.

The Statement of Net Assets and Statement of Activities are new statements and have been prepared using accrual accounting.

The financial statements focus on "Major Funds" and provide a reconciliation between fund balance and net assets.

In addition to the financial statement changes noted above, required changes in note disclosures are included in the basic financial statements.



## **Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles. The City participates in the Cache Valley Transit District (CVTD), which is a separate legal entity that is not controlled or dependent upon the City. However the City has imposed a  $\frac{1}{4}$  of 1% sales tax to fund the CVTD. The Utah State Auditor's Office has determined that the sales tax is in effect collected by the CVTD and that the related revenue and expenditures should be excluded from these financial statements.

The City has an agreement with Lewiston City to jointly operate the Cub River Sports Complex. Accounting for the Cub River Sports Complex was transferred to Lewiston City at the beginning of fiscal year 2003.

The City has created a Municipal Building Authority (MBA) in anticipation of future bonding needs. The MBA was not funded and had no financial activity during the year.

The Richmond City Cemetery District (the District) is a separate legal entity that the City does not control and is not dependent on the City. However, the District has contracted with the City to perform accounting duties, collect funds and pay bills as directed by the District. This activity is reported in the City's agency fund.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Controls or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

## **Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, highway and streets, sanitation, recreation, public improvements, planning and zoning, health services and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts, - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function of business-type activities) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

### **Basic Financial Statements – Fund Statements**

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions or specific purposes.

Separate financial statements are provided for governmental fund and proprietary fund. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

The following fund types are used by the City.

#### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legal restricted to expenditures for specified purposes.
- The Capital Projects Fund is used to account for the financial resources to be used for the acquisition of capital facilities and equipment by the City.

The City's major governmental funds consist of the following:

**General Fund** - see description above.

The City's nonmajor governmental funds consist of the Cub River Sports Complex special revenue fund and the capital projects fund.

## *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally results from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

- **Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's major enterprises funds consist of the following:

**Water Utility Fund** – This fund accounts for the water services provided to City residents.

**Sewer Fund** – This fund accounts for the collection of sewer products by the City sewer system.

*Fiduciary Funds* (Not included in government-wide statements).

The City's fiduciary funds consist solely of an agency fund. Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency fund consists of:

**The Richmond Cemetery District** – This fund is used to account for the funds held on behalf of the Richmond City Cemetery District.

## **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### *Accrual*

Both governmental and business-type activities in the government-wide financial statement and the proprietary fund financial statements are represented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

## *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However debt service and compensated absences expenditures are recorded only when payment is due.

### **Financial statement Amounts**

#### *Cash and cash equivalents*

For the purpose of the Statement of Net Assets, the term "cash and cash equivalents" includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

#### *Interfund Receivables and Payables*

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets.

#### *Accounts Receivable and Due From Other Government*

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and ambulance fees. Business-type activities report receivables for utility service fees.

#### *Capital Assets*

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	30 years
Improvements other than buildings	10 to 50 years
Structures and systems	15 to 60 years
Equipment	3 to 20 years

GASB Statement No. 34 requires the City to report infrastructure assets effective with the beginning of fiscal year 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities) etc.

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

#### *Capitalized Interest*

The City capitalizes net interest costs as part of the cost of construction of proprietary capital projects when material.

#### *Deferred Revenues*

In the government-wide statement and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

#### *Compensated Absences*

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The City's policies regarding sick leave allow employees to receive up to one-half of their accrued sick leave, limited to 45 days, as a termination benefit if they voluntarily retire or resign. The liability for these compensated absences is recorded as long-term debt in the government-wide statement for governmental activities and as accrued liabilities in the business-type activities. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a liability for compensated absences while proprietary funds report the liability as it is incurred. Compensated absences related to governmental activities are usually liquidated by the General Fund.

#### *Long-term Debt*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government wide financial statements. The long-term debt consists primarily of bonds payable, capital leases payable, note payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statement as it is in the government-wide statements.

#### *Equity Classifications*

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets – consists of net assets with constraints placed on the City by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Government fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

### *Revenues*

Property taxes, franchise taxes, licenses, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

### *Expenses/Expenditures*

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City’s general policy to use restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

### *Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

### *Property Tax Calendar*

Cache County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

## *Legal Compliance – Budgets*

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for proprietary funds are adopted on a legally enacted basis. The legally enacted budget differs from a GAAP basis budget by including debt proceeds, capital expenses and principal payments and excluding depreciation expense. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at fiscal year end. On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officers so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at the first scheduled meeting in May. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The City financial officer must, within the revenues and reserves, estimate any changes in the budget as available or revenue estimates may be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22, and adoption of budgets is done similarly.

State statute requires that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Council at a properly advertised public hearing can make increases in total fund appropriations. The budget information presented is after approved amendments.

### **Note 2 – Cash and Cash Equivalents**

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) (the Act) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

At June 30, 2005, the City's pooled cash and cash equivalents and restricted cash and cash equivalents included the following:

#### **Pooled cash and cash equivalents:**

Petty cash	\$ 100
Demand deposits	13,143
Investments in State Treasurer's Investment Pool	<u>844,837</u>
Total pooled cash and cash equivalents	<u>858,080</u>

#### **Restricted cash and cash equivalents:**

Investments in State Treasurer's Investment Pool	<u>52,428</u>
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Total restricted cash and cash equivalents 52,428

Total cash and cash equivalents \$ 910,508

At June 30, 2005, the carrying amounts of the City's demand deposits was \$13,143 and the bank balance was \$61,328. Of the bank balance, \$61,328 was covered by federal depository insurance (FDIC). Deposits are not collateralized nor are they required to be by state statute. The City's other cash and cash equivalents are in open-ended mutual funds or investment pools, which are not subject to categorization.

The interest rate paid on the investment pool during the 2004-2005 fiscal year varied from 1.7032% to 3.1816%. The "pool" is a convenient deposit-type investment administered by the State Treasurer's Office and offers daily liquidity. The pool deposits are invested mainly in short-term investment securities, including time certificates of deposit and treasury bills, all of which comply with the Act. The cost of the pool shares approximates the fair value of the investments held by the pool based on information provided to the City by the State Treasurer's Office.

### **Note 3 – Accounts Receivable and Due from other Governments**

The City's due from other governments and accounts receivable at June 30, 2005 consist of the following:

#### *Governmental activities*

#### **Due from other governments:**

##### General fund:

Property taxes – current	\$ 4,494
Property taxes – deferred to future periods	74,857
Sales tax	<u>33,027</u>

Total general fund \$ 112,378

#### **Accounts receivable:**

##### General fund:

Garbage	\$ 14,964
Franchise taxes	8,518
Other	<u>9,299</u>

Total general fund accounts receivable \$ 32,781

##### General Fund restricted:

Class "C" roads	\$ <u>16,272</u>
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#### *Business-type activities*



**Accounts receivable:**

## Water fund:

Water services and fees	\$ 24,797
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## Sewer fund:

Sewer services and fees	<u>19,500</u>
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Total accounts receivable	\$ <u>44,297</u>
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**Note 4 - Transfers**

During the fiscal year, the City Council authorized certain capital expenditures in departments of the City. The City authorized the transfer of funds from the Capital Projects Fund to finance these expenditures. As a result, \$49,402 was transferred to the General Fund. Also, \$34,131 was transferred from the General to the Capital Projects Fund.

In addition, the City authorized the annual funding of the Cub River Sports Complex and transferred \$7,500 from the General Fund to the Cub River Sports Complex Special Revenue Fund. The money was subsequently paid to Lewiston City who is currently responsible for the accounting of the Cub River Sports Complex.

**Note 5 – Refundable Deposits**

The Water Utility Fund requires a security deposit from all renters, which is refunded upon termination of service if no balance is owed on the customer account. If an outstanding balance exists at termination, the deposit is first applied to the outstanding balance with any excess refunded. The deposit is reported as a liability in the Water Utility Fund. Security deposits in the Water Utility Fund of \$1,395 were held by the City at June 30, 2005.

**Note 6 – Capital Assets**

Capital asset changes occurring for the year ended June 30, 2005, are as follows:

	June 2004	Additions	Deletions	June 30 2005
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ <u>43,125</u>	\$ _____	\$ _____	\$ <u>43,125</u>
Total capital assets not being depreciated	<u>43,125</u>	_____	_____	<u>43,125</u>
Capital assets being depreciated:				
Building and improvements	896,217			896,217
Equipment	408,888	46,500		455,388
Infrastruture	<u>3,150,486</u>	_____	_____	<u>3,150,486</u>

Total capital assets being depreciated	<u>4,455,591</u>	<u>46,500</u>	<u>-</u>	<u>4,502,091</u>
Accumulated depreciation	(2,641,986)	(169,092)	-	(2,811,078)
Total capital assets being depreciated, net	<u>1,813,605</u>	<u>(122,592)</u>	<u>-</u>	<u>1,691,013</u>
Total governmental activities capital assets, net	<u>\$1,856,730</u>	<u>\$(122,592)</u>	<u>\$ -</u>	<u>\$1,734,138</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land and Water Rights	\$ <u>160,044</u>	\$ <u>6,000</u>	\$ <u>-</u>	<u>\$166,044</u>
Total capital assets not being depreciated	<u>160,044</u>	<u>6,000</u>	<u>-</u>	<u>166,044</u>
Capital assets being depreciated:				
Structures and systems	<u>4,022,457</u>	<u>103,524</u>	<u>-</u>	<u>4,125,981</u>
Accumulated depreciation for:				
Structures and systems	<u>(1,610,664)</u>	<u>(113,888)</u>	<u>-</u>	<u>(1,724,552)</u>
Total capital assets being depreciated, net	<u>2,411,793</u>	<u>(10,364)</u>	<u>-</u>	<u>2,401,429</u>
Total business-type activities capital assets, net	<u>\$2,571,837</u>	<u>\$(4,364)</u>	<u>\$ -</u>	<u>\$2,567,473</u>

Depreciation expense of governmental activities was charged to functions as follows:

General government	\$ 13,766
Streets and highways	147,710
Public Safety	4,577
Culture, parks and recreation	<u>3,039</u>
Total depreciation expense	<u>\$ 169,092</u>

## **Note 7 – Long-term Obligations**

Long-term liability activity for fiscal year ending June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
Capital leases payable	\$ <u>68,148</u>	\$ <u>-</u>	\$ <u>(20,545)</u>	\$ <u>47,603</u>	\$ <u>20,520</u>
Total governmental Long-term liabilities	\$ <u>68,148</u>	\$ <u>-</u>	\$ <u>(20,545)</u>	\$ <u>47,603</u>	\$ <u>20,520</u>
<b><u>Business-type activities</u></b>					
Bonds payable	\$ <u>1,555,893</u>	\$ <u>-</u>	\$ <u>(123,000)</u>	\$ <u>1,432,893</u>	\$ <u>125,000</u>
Total business-type Long-term liabilities	\$ <u>1,555,893</u>	\$ <u>-</u>	\$ <u>(123,000)</u>	\$ <u>1,432,893</u>	\$ <u>125,000</u>

### *Governmental Activities*

Governmental activities long-term debt was comprised of the following:

#### **Capital Lease:**

The City has entered into a capital lease agreement with Zions Bank to provide financing for the construction of assets. The agreement requires that the City lease assets to Zions Bank for \$1 annually and provide capital lease financing to the City with a maximum limit of \$250,000. The agreement expires at the end of each fiscal year but is automatically extended for one year periods until January 1, 2009. Zions Bank subleases the assets to the City with an interest factor of 75% of the bank's prime rate. The balance as of June 30, 2005 on this lease agreement was \$47,603.

At June 30, 2005, the cost of assets financed by capital leases recorded in the governmental activities was \$206,293 and the accumulated depreciation was \$48,135.

The following is a schedule of the estimated future minimum lease payments under the governmental activities capital lease and the present value of the net minimum lease payments.

<u>Year Ending June 30</u>	
2006	\$ 22,000
2006	22,000
2007	<u>6,081</u>
Net minimum lease payments	50,081
Less amount representing interest	<u>(2,478)</u>
Present value of net minimum lease payments	\$ <u>47,603</u>

## *Business-type Activities*

### **Bonds Payable**

Business-type activities bonds payable were comprised of the following:

\$841,000 Water Revenue Bonds Series 1993A due to the Utah State Division of Finance Water Resources in annual installments ranging from \$21,000 to \$58,000 at maturity on January 1, 2014, non-interest bearing \$ 441,946

\$841,000 Water Revenue Bonds Series 1993B due to the Utah State Division of Finance Safe Drinking Water in Annual installments ranging from \$29,000 to \$39,000 at Maturity on January 1, 2019, plus interest at 1.25% 503,000

\$248,381 Water Revenue Bonds Series 1993C due to the Utah State Division of Finance Safe Drinking Water in Annual installments ranging from \$9,000 to \$11,000 at Maturity on January 1, 2019, plus interest at 1.267% 139,947

\$280,000 Sewer Revenue Bonds due to Farmers Home Administration in annual installments ranging from \$5,500 to \$45,500 at maturity on January 1, 2011, plus interest at 5.0% 107,000

\$357,000 Sewer Revenue Bonds due to the State of Utah, Department of Environmental Quality, in annual installments Ranging from \$17,000 to \$32,000 at maturity on February 1, 2014, plus interest at 4.5% 241,000

Total business-type activities bonds payable \$ 1,432,893

The annual requirements to amortize bonds payable of the business-type activities as of June 30, 2005, were as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 125,000	24,418	149,418
2007	126,500	22,333	148,833
2008	129,000	20,179	149,179
2009	132,000	17,941	149,941
2010	134,500	15,563	150,063
2011-2015	596,946	37,456	634,402
2016-2019	<u>188,947</u>	<u>6,259</u>	<u>195,206</u>
Totals	\$ <u>1,432,893</u>	<u>144,149</u>	<u>1,577,042</u>

The management of the City believes that as of June 30, 2005, it was in compliance with the debt covenant of the outstanding revenue bonds.

#### **Note 8 - Pension Benefit Obligations**

The City contributes to the Utah Local Government Noncontributory Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The following briefly summarizes types of employees covered, benefit provisions, eligibility requirements and vesting for the systems participated in by the City.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

In the Local Governmental Noncontributory Retirement System, the City was required to contribute 11.09% of the eligible employees' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Systems for the years ended June 30, 2005, 2004 and 2003 were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer contributions	\$14,083	11,618	10,657

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Utah State Retirement Board of the Utah Retirement Systems provides the City with the necessary retirement disclosures for this report. The Utah Retirement Systems have implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

The City maintains as a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which is administered by the Utah Retirement Systems. Under the plan, eligible employees may elect to contribute a portion of their salary, subject to Internal Revenue service limits. Contributions of \$15,876, \$13,622, and \$13,148 were made to the 401(k) plan during the years ended June 30, 2005, 2004 and 2003, respectively. Of these amounts \$13,348, \$11,510 and \$11,279 were contributed by employees, and \$2,529, \$2,112, and \$1,869 were contributed by the City of behalf on employees respectively.

### **Note 9 – Restricted Net Assets/Reserved Fund Equity**

Restricted net assets and reserved fund equity represent moneys required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved fund equity at June 30, 2005.

#### *Governmental Activities*

##### **General Fund**

Class C	\$ <u>16,272</u>
Total restricted	\$ <u>16,272</u>

#### *Business-type Activities*

##### **Sewer Fund**

Impact fees	\$ 2,565
Bond retirement	<u>49,863</u>
Total restricted net assets	<u>52,428</u>
Total business-type restricted net assets	\$ <u>52,428</u>

The City assesses impact fees for water and sewer improvements as allowed by State law. These fees are not intended to recover impact costs for growth in areas not assessed by the City.

### **Note 10 – Risk Management**

The City is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured events. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

## **Required Supplementary Information**

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**CITY OF RICHMOND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 337,296	\$ 379,296	\$ 384,908	\$ 5,612
Licenses and permits	8,700	14,500	14,991	491
Intergovernmental	95,441	99,605	90,355	(9,250)
Charges for services	150,813	154,813	156,410	1,597
Fines and forfeitures	27,500	52,000	52,947	947
Library	-	4,981	4,981	-
Miscellaneous revenues	17,450	10,400	13,245	2,845
Total revenues	637,200	715,595	717,837	2,242
Expenditures:				
General government	140,986	150,410	147,965	2,445
Public safety	103,493	123,715	120,772	2,943
Streets and public improvements	350,275	389,068	376,797	12,271
Parks, recreation and public property	36,906	50,924	49,880	1,044
Library	47,442	59,249	58,751	498
Total expenditures	679,102	773,366	754,165	19,201
Deficiency of revenues over expenditures	(41,902)	(57,771)	(36,328)	21,443
Other financing sources (uses):				
Transfers in (out):				
Capital projects fund	49,402	15,271	15,271	-
Special revenue fund	(7,500)	(7,500)	(7,500)	-
Total other financing sources	41,902	7,771	7,771	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	(50,000)	(28,557)	21,443
Fund balance - July 1	137,239	137,239	137,239	-
Fund balance - June 30	\$ 137,239	\$ 87,239	\$ 108,682	\$ 21,443

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## **Supplementary Information**

**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts For the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes:				
General property taxes	\$ 72,346	\$ 73,210	\$ 864	\$ 73,665
Fee-in-lieu of property taxes	23,450	24,196	746	23,504
Sales and use taxes	172,000	174,834	2,834	166,217
Franchise taxes	111,500	112,668	1,168	103,116
Total taxes	379,296	384,908	5,612	366,502
Licenses & permits:				
Business licenses & permits	2,200	2,190	(10)	2,502
Non-business licenses and permits	12,300	12,801	501	9,787
Total licenses & permits	14,500	14,991	491	12,289
Intergovernmental:				
Class "C" roads	90,000	80,094	(9,906)	107,063
Cache County fire	4,029	4,029	-	4,029
Liquor allotment	1,775	1,775	-	1,362
Other grants	3,801	4,457	656	18,789
Total intergovernmental	99,605	90,355	(9,250)	131,243
Charges for services:				
Sanitation	125,500	126,863	1,363	130,841
Rent and use charges	12,663	12,832	169	12,240
Fire department	-	-	-	4,847
Planning and zoning	50	50	-	168
Central dispatch fee	16,600	16,665	65	17,682
Total charges for services	154,813	156,410	1,597	165,778
Fines & forfeitures:	52,000	52,947	947	34,615

(continued)

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**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts For the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Library:				
Grants	3,877	3,877	-	3,877
Donations	1,104	1,104	-	784
Total library	4,981	4,981	-	4,661
Miscellaneous revenues:				
Interest	6,400	6,644	244	2,104
Donations	500	1,175	675	1,375
Black and white days	1,150	3,026	1,876	3,881
Other	2,350	2,400	50	2,196
Total miscellaneous	10,400	13,245	2,845	9,556
Total revenues	715,595	717,837	2,242	724,644
Expenditures:				
General government:				
Salaries and employee benefits	53,046	52,008	1,038	53,677
Travel and convention	3,900	1,838	2,062	900
Office expenses	14,000	13,819	181	13,614
Maintenance	18,680	22,239	(3,559)	23,433
Professional	12,473	11,621	852	7,375
Bonds and insurance	6,190	6,065	125	5,122
Court fines to state	18,500	18,448	52	8,700
Utilities	13,766	11,894	1,872	11,567
Youth council	1,900	1,824	76	1,104
Other	7,955	8,209	(254)	6,354
Elections	-	-	-	900
County planner	-	-	-	3,254
Capital outlay	-	-	-	14,188
Total general government	150,410	147,965	2,445	150,188

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**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts For the Year Ended June 30, 2004)**

	2005			
	Budget	Actual	Variance Favorable (Unfavorable)	2004 Actual
<b>Public Safety:</b>				
Salaries and employee benefits	18,150	17,682	468	14,161
Travel and convention	3,262	3,068	194	1,613
Office expense	10,542	9,419	1,123	2,093
Supplies and maintenance	21,192	24,040	(2,848)	27,449
Professional	9,200	9,179	21	13,071
Debt service	-	-	-	30,253
Bonds and insurance	8,985	8,217	768	7,184
Utilities	7,953	5,485	2,468	5,657
Law enforcement	19,300	18,800	500	18,800
Alcohol enforcement	1,812	1,775	37	-
Animal control	4,600	4,397	203	4,315
Dispatch center	15,600	15,496	104	17,633
Other	3,119	3,214	(95)	5,101
Capital outlay	-	-	-	8,406
<b>Total Public Safety</b>	<b>123,715</b>	<b>120,772</b>	<b>2,943</b>	<b>155,736</b>
<b>Streets &amp; public improvements:</b>				
Salaries and employee benefits	38,271	37,221	1,050	31,663
Travel and convention	252	205	47	325
Office expense	1,675	1,537	138	1,775
Maintenance	20,850	19,482	1,368	15,685
Professional	300	223	77	10,270
Special department supplies	107,527	98,884	8,643	64,424
Street lighting	19,950	19,900	50	16,120
Bonds and insurance	3,095	2,937	158	2,930
Other	748	693	55	1,326
Sanitation	127,000	126,314	686	121,536
Street debt service	22,900	22,901	(1)	22,900
Capital outlay	46,500	46,500	-	229,017
<b>Total streets &amp; improvements</b>	<b>389,068</b>	<b>376,797</b>	<b>12,271</b>	<b>517,971</b>

(continued)

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**CITY OF RICHMOND  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended June 30, 2005  
(With Comparative Amounts For the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Parks, recreation &amp; public property:</b>				
Salaries and employee benefits	24,971	24,597	374	16,243
Travel and convention	456	540	(84)	-
Office expense	1,772	1,123	649	1,259
Maintenance	7,800	8,001	(201)	6,230
Bonds and insurance	2,995	2,578	417	2,571
Lighting	1,174	951	223	930
Other	1,056	1,344	(288)	4,364
Recreation programs	-	-	-	82
Black and white days	10,700	10,746	(46)	9,331
Art council	-	-	-	6,838
Capital outlay	-	-	-	-
<b>Total parks, recreation &amp; public property</b>	<b>50,924</b>	<b>49,880</b>	<b>1,044</b>	<b>47,848</b>
<b>Library:</b>				
Salaries and employee benefits	39,912	39,567	345	33,992
Office expense	1,525	1,436	89	1,505
Supplies	275	48	227	1,331
Maintenance	718	677	41	277
Professional	-	-	-	750
Bonds and insurance	3,095	3,261	(166)	2,907
Books and book transfer charges	3,400	3,297	103	2,751
Automation	3,465	3,422	43	2,134
Utilities	2,792	2,758	34	2,557
Other	190	408	(218)	91
Capital outlay	-	-	-	1,400
Grants	3,877	3,877	-	5,026
<b>Total library</b>	<b>59,249</b>	<b>58,751</b>	<b>498</b>	<b>54,721</b>
<b>Total expenditures</b>	<b>773,366</b>	<b>754,165</b>	<b>19,201</b>	<b>926,464</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(57,771)</b>	<b>(36,328)</b>	<b>21,443</b>	<b>(201,820)</b>

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**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts For the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Other financing sources (uses):				
Transfers in (out):				
Capital projects fund	\$ 15,271	\$ 15,271	-	\$ 244,075
Special revenue fund	(7,500)	(7,500)	-	(16,000)
Total other financing sources (uses)	7,771	7,771	-	228,075
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses:	(50,000)	(28,557)	21,443	26,255
Fund balance - beginning of year	137,239	137,239	-	110,984
Fund balance - end of year	\$ 87,239	\$ 108,682	\$ 21,443	137,239



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**CITY OF RICHMOND**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2005**  
**(With Comparative Amounts at June 30, 2004)**

	Cub River Sports Complex	Capital Projects Fund	Total Nonmajor Governmental Funds	
			2005	2004
<u>Assets</u>				
Pooled cash & cash equivalents	\$ 258	\$ 61,329	\$ 61,587	\$ 75,454
Accounts receivable, net	-	-	-	25,000
	<u>258</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total assets	<u>\$ 258</u>	<u>\$ 61,329</u>	<u>\$ 61,587</u>	<u>\$ 100,454</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ 12,500
Due to other governments	-	-	-	12,500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Fund balance:				
Unreserved, undesignated	258	61,329	61,587	75,454
	<u>258</u>	<u>61,329</u>	<u>61,587</u>	<u>75,454</u>
Total fund balance	<u>258</u>	<u>61,329</u>	<u>61,587</u>	<u>75,454</u>
Total liabilities & fund balance	<u>\$ 258</u>	<u>\$ 61,329</u>	<u>\$ 61,587</u>	<u>\$ 100,454</u>

**CITY OF RICHMOND**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts for the Year Ended June 30, 2004)**

	Cub River Sports Complex	Capital Projects Fund	Total Nonmajor Governmental Funds	
			2005	2004
Revenues:				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 50,000
Miscellaneous revenues	-	1,404	1,404	2,781
Total revenues	-	1,404	1,404	52,781
Expenditures:				
Parks, recreation and public property	7,500	-	7,500	16,000
Total expenditures	7,500	-	7,500	16,000
Excess of revenues over expenditures	(7,500)	1,404	(6,096)	36,781
Other financing sources (uses):				
Transfers in (out)	7,500	(15,271)	(7,771)	(228,075)
Total other financing sources (uses)	7,500	(15,271)	(7,771)	(228,075)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(13,867)	(13,867)	(191,294)
Fund balance - July 1	258	75,196	75,454	266,748
Fund balance - June 30	<u>\$ 258</u>	<u>\$ 61,329</u>	<u>\$ 61,587</u>	<u>\$ 75,454</u>

**CITY OF RICHMOND**  
**CUB RIVER SPORTS COMPLEX**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**( With Comparative Amounts for the Year Ended June 30, 2004)**

	2005		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			2004 Actual
Intergovernmental	\$ 25,000	\$ -	\$ (25,000)
Total revenues	25,000	-	(25,000)
Expenditures:			
Parks and recreation	20,000	7,500	12,500
Total expenditures	20,000	7,500	12,500
Excess (deficiency) of revenue over expenditures	5,000	(7,500)	(12,500)
Other financing sources:			
Transfers in	7,500	7,500	-
Total other financing sources	7,500	7,500	-
Excess of revenues and other financing sources over expenditures	\$ 12,500	-	\$ (12,500)

**CITY OF RICHMOND**  
**CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts for the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Miscellaneous revenues	\$ 1,406	\$ 1,404	\$ (2)	\$ 2,781
Total revenues	1,406	1,404	(2)	2,781
Expenditures:	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over expenditures	1,406	1,404	(2)	2,781
Other financing sources (uses):				
Transfers in	34,131	34,131	-	-
Transfers out	(49,402)	(49,402)	-	(244,075)
Total other financing sources (uses)	(15,271)	(15,271)	-	(244,075)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(13,865)	(13,867)	(2)	(241,294)
Fund balance - July 1	75,196	75,196	-	316,490
Fund balance - June 30	<u>\$ 61,331</u>	<u>\$ 61,329</u>	<u>\$ (2)</u>	<u>\$ 75,196</u>

**CITY OF RICHMOND**  
**WATER UTILITY FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts for the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating revenues:				
Services	\$ 235,000	\$ 235,788	\$ 788	\$ 243,974
Connection fees	14,272	14,398	126	6,064
Miscellaneous	8,400	12,575	4,175	4,801
Total operating revenues	<u>257,672</u>	<u>262,761</u>	<u>5,089</u>	<u>254,839</u>
Operating expenses:				
Salaries and benefits	44,314	44,262	52	40,157
Current expenses	32,152	30,703	1,449	114,577
Depreciation expenses	78,000	77,959	41	76,303
Total operating expenses	<u>154,466</u>	<u>152,924</u>	<u>1,542</u>	<u>231,037</u>
Operating Income	<u>103,206</u>	<u>109,837</u>	<u>6,631</u>	<u>23,802</u>
Non-operating income (expenses):				
Impact fees	21,638	21,802	164	11,892
Interest expense	(8,691)	(3,794)	4,897	(9,210)
Interest income	-	7,002	7,002	4,650
Total non-operating income (expense)	<u>12,947</u>	<u>25,010</u>	<u>12,063</u>	<u>7,332</u>
Net income (loss) - budget basis	<u>\$ 116,153</u>	<u>\$ 134,847</u>	<u>\$ 18,694</u>	31,134
Adjustments from budget basis to GAAP basis:				
Loss on sale of assets				<u>(7,225)</u>
Net income - GAAP basis				<u>\$ 23,909</u>

**CITY OF RICHMOND**  
**SEWER FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2005**  
**(With Comparative Amounts For the Year Ended June 30, 2004)**

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating revenues:				
Services	\$ 203,825	\$ 198,421	\$ (5,404)	\$ 206,130
Connection fees	7,000	7,668	668	3,102
Total operating revenues	<u>210,825</u>	<u>206,089</u>	<u>(4,736)</u>	<u>209,232</u>
Operating expenses:				
Salaries and benefits	36,932	36,709	223	33,186
Current expenses	68,713	67,501	1,212	53,856
Depreciation expenses	<u>36,010</u>	<u>35,929</u>	<u>81</u>	<u>40,215</u>
Total operating expenses	<u>141,655</u>	<u>140,139</u>	<u>1,516</u>	<u>127,257</u>
Operating income	<u>69,170</u>	<u>65,950</u>	<u>(3,220)</u>	<u>81,975</u>
Non-operating income (expenses):				
Impact fee	11,418	11,634	216	6,094
Interest income	9,575	10,210	635	5,287
Interest expense	<u>(18,140)</u>	<u>(22,041)</u>	<u>(3,901)</u>	<u>(19,047)</u>
Total non-operating income (expense)	<u>2,853</u>	<u>(197)</u>	<u>(3,050)</u>	<u>(7,666)</u>
Net income (loss) - budget basis	<u>\$ 72,023</u>	<u>\$ 65,753</u>	<u>\$ (6,270)</u>	74,309
Adjustments from budget basis to GAAP basis:				
Loss on sale of assets				<u>(7,395)</u>
Net income - GAAP basis				<u>66,914</u>

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**CITY OF RICHMOND**  
**AGENCY FUND**  
**SCHEDULE OF ADDITION AND DELETIONS**  
**For the Year Ended June 30, 2005**

	<u>Richmond Cemetery District</u>
<b>Additions:</b>	
Property taxes	\$ 25,157
Burial fees	9,150
Grave plot purchases	4,150
Interest	<u>2,988</u>
Total additions	<u>41,445</u>
<b>Deletions:</b>	
Salaries and benefits	18,813
Other expenses	<u>8,868</u>
Total deletions	<u>27,681</u>
Net change in fund	<u><u>\$ 13,764</u></u>

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**CITY OF RICHMOND  
GOVERNMENTAL AUDIT REPORT  
June 30, 2005**



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
Richmond City  
Richmond, Utah

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, Utah (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one

or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated October 28, 2005.

This report is intended for the information of the City Council and management, and certain legislative bodies. However, this report is a matter of public record and its distribution is not limited.

Peterson Alfred Jackson

October 28, 2005

**CITY OF RICHMOND  
STATE COMPLIANCE REPORT  
June 30, 2005**



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council  
Richmond City  
Richmond, Utah

We have audited the financial statements of the Richmond City, Utah (the City), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of Richmond's financial statements.)

Public Library Services Development Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Richmond City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Peterson Alfred Jackson

October 28, 2005





Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

October 28, 2005

Honorable Mayor and City Council  
Richmond City  
Richmond, Utah

Dear Mayor Panter:

In planning and performing our audit of the financial statements of Richmond, Utah (the City), as of and for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized.

**CURRENT YEAR FINDINGS:**

**Finding:** *Fund financial statements.* The City does not reconcile the financial statements on a fund basis throughout the year.

**Recommendation:** Classify the financial statements in a fund format on a monthly basis. Monthly cash, receivable, and payable classifications will need to be booked in order to conform to the fund financial statement format. This format will give the City better information in a timely manner.

**Management Response:** Richmond City will look at reconciling the financial statements on a fund basis throughout the budget year.

**Finding:** *Interest allocation.* No interest income was allocated to the water and sewer impact fee cash accounts during the year.

**Recommendation:** Establish a method for allocating interest income to funds and post interest earnings on a monthly basis.

Management Response: Richmond City will establish a method for allocating all interest income and post interest on a monthly basis.

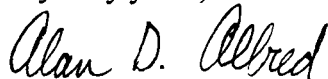
Finding: *Submitted audit report.* The audit report was submitted after the State of Utah required date.

Recommendation: Submit the audit report no later than December 31<sup>st</sup> of each year.

Management Response: Richmond City will submit the audit report before the due date.

In conclusion, we wish to recognize Chris Purser, Justin Lewis, and Boyd Lewis for the excellent services provided to Richmond City. They have been most cooperative in assisting us in the performance of the audit for the 2005 fiscal year. The performance of the Richmond City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

A handwritten signature in cursive script that reads "Alan D. Allred".

PETERSON ALLRED JACKSON